



STATE OF CALIFORNIA  
**Franchise Tax Board**

# Nudging

## **Exploring the Use of Nudge Techniques in Taxpayer Compliance and Education**

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# What is Nudge?



\*Special thanks to Rotman School of Management at the University of Toronto for their permission to use this video in this presentation.

# The Science Behind Nudge

- Identify the problem or opportunity
- Use Behavioral Insights to design Nudge
- Conduct Randomized Controlled Trials
- Outcome Options: Abandon, Refine, or Expand

# The Benefits of Nudge

- Compliance: Encourage vs. Enforce
- Good for Government
- Good for Taxpayers

# Who's Using Nudge?

- **United Kingdom:** *“9 out of 10 people in your town pay their taxes on time.”*
- **Utility Companies:** *“Did you know that your neighbors use 10% less water than you do?”*
- **Hotels:** *“70% of our customers choose to reuse their towels to support a green environment”*

# Who's Using Nudge?

- **FTB Nudge Pilots**

- Itemized Deduction Pilot – Phase I
  - Unreimbursed employee business expenses
  - Results: *60% adjusted this deduction in the following year.*
- Itemized Deduction Pilot – Phase II
  - Medical and dental expenses
  - Charitable contributions
  - Unreimbursed employee business expenses

# Who's Using Nudge?

- **FTB Nudge Pilots**

- **California's Earned Income Tax Credit (CalEITC)**

- *Testing 3 letters – waiting on data*

- **Return accuracy and honesty**

**Reminder from the California Franchise Tax Board** [What is this?](#)

I understand it is my responsibility complete my tax return honestly and accurately.

“The State of California reminds you that prior to filing this tax return you will be asked to sign under penalty of perjury that you have completed this tax return to the best of your knowledge and belief and that it is true, correct, and complete.”

Thank you.